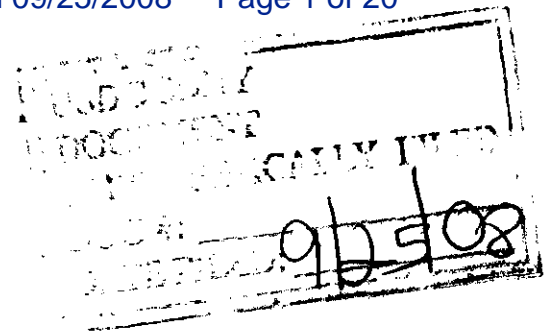


UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK



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RESQNET.COM, INC.,

Plaintiff,

01 Civ. 3578 (RWS)

- against -

OPINION

LANSA, INC.,

Defendant.  
-----X

A P P E A R A N C E S:

Attorney for Plaintiff

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**Sweet, D.J.,**

Lansa, Inc. ("Lansa" or the "Defendant") has moved, pursuant to Fed. R. Civ. P. 52(b), for reconsideration of the Court's judgment entered April 4, 2008, and in the alternative for a new trial pursuant to Fed. R. Civ. P. 59(a). As set forth below, upon reconsideration the judgment is affirmed, and the motion for a new trial is denied.

## **I. PROCEDURAL HISTORY**

On April 27, 2001, ResQNet.com, Inc. ("ResQNet" or the "Plaintiff") sued Lansa for infringement of United States Patent Nos. 5,831,608 (the "'608 Patent"), 5,530,961 (the "'961 Patent"), 5,792,659 (the "'659 Patent") and 5,812,127 (the "'127 Patent"). On December 4, 2001, ResQNet filed an amended complaint, alleging infringement of the same four patents previously named as well as United States Patent No. 6,295,075 (the "'075 patent"). Discovery progressed and ResQNet withdrew its claims concerning the '659 Patent and the '127 Patent.

On June 12, 2002, this Court held a Markman hearing to address the issues of patent claim construction as to the three patents remaining in the case. On September 5, 2002, the Court

issued an Opinion construing certain claims of those patents. See ResQNet.com, Inc. v. Lansa, Inc., No. 01 Civ. 3578 (RWS), 2002 WL 310028011 (S.D.N.Y. Sept. 5, 2002) ("ResQNet I").

To facilitate appeal, the parties entered into a consent judgment by which ResQNet withdrew all allegations of infringement with the exception of one claim each with regard to the '961, '608 and '075 Patents, and stipulating that Lansa's systems would not infringe these remaining claims under the holding of ResQNet I. ResQNet then appealed that holding, which the Court of Appeals for the Federal Circuit affirmed in part and reversed in part. See ResQNet.com, Inc. v. Lansa, Inc., 346 F.3d 1374 (Fed. Cir. 2003) ("ResQNet II"). Based upon the consent judgment and the Federal Circuit's affirmance of this Court's ruling on the '961 Patent, only two claims, related to the '075 and '608 Patents respectively, remained.

Discovery resumed, and both parties moved for partial summary judgment and sanctions pursuant to Fed. R. Civ. P. 11, among other relief. On January 13, 2005, this Court denied both parties' motions for partial summary judgment and Plaintiff's motion for sanctions, and granted in part Defendant's motion for sanctions on the grounds that ResQNet had continued to prosecute claims on the '127 and '608 Patents for almost a year after

determining that those claims were meritless. See ResQNet.com, Inc. v. Lansa, Inc., 382 F. Supp. 424 (S.D.N.Y. 2005) ("ResQNet III").

The parties then moved for partial summary judgment on the issue of ResQNet's alleged inequitable conduct in the prosecution of the '075 Patent. By an Opinion dated November 22, 2006, this Court granted summary judgment in favor of ResQNet on this issue. See ResQNet.com, Inc. v. Lansa, Inc., No. 01 Civ. 3578 (RWS), 2006 WL 3408435 (S.D.N.Y. Nov. 22, 2006) ("ResQNet IV").

A bench trial was held from May 21, 2007 to May 24, 2007, and post-trial memoranda were submitted up to and including August 29, 2007. On February 1, 2008, this Court held in favor of Lansa as to the '608 Patent, and in favor of ResQNet as to the '075 Patent. The Court also held that an award of \$100,000 to Lansa was an appropriate sanction for ResQNet's continued prosecution of the claims it had determined to be meritless. See ResQNet.com, Inc. v. Lansa, Inc., 533 F. Supp. 2d 397 (S.D.N.Y. 2008) ("ResQNet V").

Lansa filed the instant motions on April 15, 2008. The motions were heard and marked fully briefed on May 7, 2008.

The parties have subsequently submitted a long series of letters continuing to argue issues raised by Lansa's motions. Some of these letters were withdrawn by ResQNet on September 18, 2008.

## **II. FACTS**

The relevant facts were laid out in ResQNet I, III, and V. Familiarity with those Opinions is assumed.

## **III. UPON RECONSIDERATION THE JUDGMENT IS AFFIRMED**

### **A. Applicable Standard**

"The standards governing motions for amendment of findings under Rule 52(b), motions to alter or amend a judgment pursuant to Rule 59(e), and motions for reconsideration pursuant to Local Rule 6.3 are the same." Wechsler v. Hunt Health Sys., Ltd., No. 94 Civ. 8294 (PKL), 2004 WL 2210261, at \*2 (S.D.N.Y. Sept. 30, 2004); 4200 Ave. K LLC v. Fishman, No. 00 Civ. 8814, 2001 WL 498402, at \*1 (S.D.N.Y. May 10, 2001). "The standard for granting such a motion is strict, and reconsideration will generally be denied unless the moving party can point to controlling decisions or data that the court overlooked - matters, in other words, that might reasonably be expected to

alter the conclusion reached by the court.” Rafter v. Liddle, No. 07-2282-cv, 2008 WL 3842709, at \*1 (2d Cir. Aug. 13, 2008) (quoting Shrader v. CSX Transp., Inc., 70 F.3d 255, 257 (2d Cir. 1995)).

## **B. Discussion**

Lansa makes four arguments in favor of reconsideration of ResQNet V’s holding on the ‘075 Patent. First, Lansa argues that the Court ignored its determination made in ResQNet I, affirmed by the Federal Circuit and reiterated in ResQNet III, that the ‘075 Patent requires creation of a unique screen identification number by use of an algorithm. Lansa asserts that it has been established that its product, NewLook, does not use an algorithm to assign screen identification numbers, and the judgment should therefore be reversed. Second, Lansa argues that the Court erred by not finding claim 1 of the ‘075 Patent inoperable. Third, Lansa argues that the Court overlooked evidence supporting its “on-sale bar” defense. Finally, Lansa argues that the Court overlooked the fact that ResQNet never withdrew the ‘608 Patent when awarding Rule 11 sanctions and otherwise erred in assessing the amount of the sanctions award.

**1. ResQNet V Applied the Appropriate Construction of the '075 Claim**

Holding that the '961 Patent specification is incorporated by the other patents, including the '075 Patent, ResQNet I focused on the construction of four terms listed in claim 1 of the '961 Patent. ResQNet I at \*4. After analyzing the relevant claim language and specifications, the Court held, inter alia, that "to generate" means to produce by means of an algorithm, and that "screen identification (ID)" refers to a number. Id., at \*9. The Federal Circuit reversed the construction of claim 1 of the '075 Patent, "but only to the extent that it required the claimed method to include more than a plurality of specific screen identifying information." ResQNet III, 382 F. Supp. 2d at 440 (internal quotations omitted). On summary judgment, relying on the Federal Circuit's decision, the prosecution history and specification of the '075 Patent, and ResQNet's own representations and omissions, this Court reiterated that the '075 Patent requires use of an algorithm that generates screen IDs. Id. at 441 ("The relevant intrinsic evidence as well as ResQNet's own representations and admissions . . . demonstrate that an algorithm is required by the 'match[ing]' process described in the fifth limitation of claim 1, which limitation explains the result where 'said

received screen *matches* one of the plurality of specific identifying information.'" ResQNet III, 382 F. Supp. 2d at 441 (second alteration and emphasis in original) (quoting '075 Patent, col. 5, ll. 14-15).

Lansa argues that ResQNet V ignored the prior claim construction, impermissibly broadening the scope of claim 1 of the '075 Patent to require only "an algorithm that recognizes the screen based on the information downloaded from the mainframe," without any further limitation. See Def. Br. 4-5, quoting ResQNet V, 533 F. Supp. 2d at 409. Lansa further argues that "there is no showing that the accused product, Newlook<sup>™</sup> has an algorithm that generates a unique screen identification number," and that the Court's ruling should therefore be reversed. Def. Br. 5.

However, when the language quoted by Lansa is read in context, it is clear that ResQNet V applied the correct claim construction, and found that Lansa's NewLook product does use an algorithm that generates screen IDs as part of its own matching process. Proceeding element-by-element, The Court described how NewLook contains each element of the '075 Patent claim. As to the second element of the '075 claim, which is "downloading from [the] server to [the] terminal, communications software for



communicating between said terminal and [the] host and a plurality of specific screen identifying information," ResQNet v. 533 F. Supp. 2d at 410 (citing '075 Patent, col. 5), the Court explained:

The overrides selected by the developer-including the NewLook Screen IDs chosen by the developer for use with the Identify tool-are stored on the server in the "SID file" or "dynamic design repository." The evidence demonstrates that running NewLook enables PCs to download communication software and the SID file from the server. Further, the NewLook Screen IDs chosen by the developer and contained in the SID file are "sensitive to row/column positions." If used to identify unique screens in the manner discussed below, the SID file contains "at least two pieces of specific screen identifying information."

Id. (citations omitted). The Court noted that the six elements of the Claim, together, "require an algorithm that recognizes the screen based on the information downloaded from the mainframe." Id. After reciting the fifth and sixth elements of the claim,<sup>1</sup> the Court described how NewLook's "Identify" function uses an algorithm to generate a Screen ID from "trigger text" in an incoming screen:

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<sup>1</sup> The fifth and sixth elements of claim 1 of the '075 Patent are:

if said received screen matches one of the plurality of a specific screen identifying information, displaying a customized GUI screen; and

if said received screen does not match one of the plurality of specific screen identifying information, displaying a default GUI screen.

'075 Patent, col. 5, ll. 13-19.

As discussed above, NewLook's dynamic architecture automatically generates a GUI, or "best guess" for each incoming screen. Absent any overrides pre-programmed by the developer, for each green screen downloaded, NewLook will display only this "default GUI."

However, a developer can use NewLook's Identify tool to override the default GUI automatically generated by NewLook's dynamic recognition engine. To do so, the developer selects an action to be taken if the trigger text is found; NewLook searches each green screen as it is downloaded from the mainframe for the NewLook Screen ID and performs the specified action if the NewLook Screen ID is found.

\* \* \*

This iterative process of examining the downloaded green screen for each NewLook Screen ID, one-by-one, to determine whether an override should be implemented constitutes a "step-by-step problem-solving procedure, especially an established, recursive computational procedure for solving a problem in a finite number of steps." ResQNet I, 2002 WL 31002811, \*8 n.3, 2002 U.S. Dist. LEXIS, at \*25 n.3 (defining "algorithm").

Id. at 411. The Court thus applied the claim construction enunciated in ResQNet III, and found that NewLook uses an algorithm that generates a screen ID as part of the "'matching' process described in the fifth limitation of claim 1." ResQNet III, 382 F. Supp. 2d at 441 (alteration omitted).

**2. Lansa Failed to Show that Claim 1 of the '075 Patent Is Inoperable**

Lansa argues that the Court erred by not finding claim 1 of the '075 Patent inoperable. Lansa asserts that claim 1 should require an algorithm that generates a unique screen identification number. Lansa then notes that, as interpreted by the Federal Circuit, claim 1 does not require analysis of all fields present on a screen in order to calculate a screen ID. Thus, there exists a possibility that the '075 Patent would fail to identify a unique screen in the event that screen identifying information outside the invention's purview is altered. Lansa claims that the Court overlooked the testimony of its expert, Mr. Gibson, who testified that in light of this possibility, the '075 Patent would not solve either of the problems it is supposed to address: "[t]o correctly identify screens and when changes are made to the screens." Def. Br. 7 (quoting Trial Tr. 522-23).<sup>2</sup>

This issue was fully briefed, considered and rejected in ResQNet V, which in fact acknowledged the very possibility outlined by Lansa here. See 533 F. Supp. 2d at 415. As stated

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<sup>2</sup> As noted by ResQNet, the '075 Patent was not in fact supposed to address these problems, but rather "a potential storage and overhead problem" presented by the systems described by the '961 Patent and U.S. Pat. No. 08/722,583. See '075 Patent, col. 1, ll. 64-67.

in ResQNet V, Lansa has failed to demonstrate that '075 describes a method "totally incapable of achieving a useful result." Id., quoting Brooktree Corp. v. Advanced Micro Devices, Inc., 977 F.2d 1555, 1571 (Fed. Cir. 1992) ("To violate § 101 the claimed device must be totally incapable of achieving a useful result."). As ResQNet points out, Lansa's own product, NewLook, identifies screens by using less than all the fields on the screen. Opp. Br. 9-10. Further, claim 1 does not preclude an embodiment that analyzes all fields present on a screen in order to calculate a screen ID. Lansa admits that analysis of all fields would eliminate the problem addressed by Mr. Gibson's testimony.

### **3. Lansa Failed to Establish an "On-Sale Bar"**

Lansa argues that the Court overlooked evidence supporting Lansa's "on-sale bar" defense. A patent claim is invalid if an embodiment of the claimed invention was both (1) subject to commercial offer for sale in the United States and (2) ready for patenting more than one year before the patent application date. ResQNet V, 533 F. Supp. 2d at 412 (citing Pfaff v. Wells Elecs., 525 U.S. 55, 67-68 (1998)). The party asserting the bar bears the burden of demonstrating its application by clear and convincing evidence. Id. The Court

held that Lansa failed to show by clear and convincing evidence that NewLook version 1.0, which was for sale prior to the '075 Patent critical date, contained two elements of claim 1: communications software and an ability to function with a host and server.

Lansa claims that the Court conflated communication software and emulation software, and therefore erroneously concluded that absence of emulation software in NewLook 1.0 meant there was no communication software. Def. Br. 8-9. This is a misreading of ResQNet V, which noted that the "evidence that NewLook version 1.0 contained 'communications software' or could facilitate communication between the host and server is scant." 533 F. Supp. 2d at 413. The Court then summarized this "scant" evidence, including a marketing solicitation dated June 24, 1996, which stated that "Newlook 'analys[es] the data stream, typically via call to the emulator's HLLAPI application programming interface,' demonstrating communication between the program and the client's emulator," and testimony that NewLook 1.0 lacked an emulator, but could download a third-party emulator. Id. The Court's recitation of certain evidence discussing emulation software was incidental to discussing what little evidence had been presented touching on the issue of whether NewLook 1.0 included communications software.

On the present motion, Lansa elides the importance of communication with a server, and in fact repeatedly misstates the relevant claim language as "downloading, from said terminal, communications software for communicating between said terminal and said host . . . ." Def. Br. 10; Reply Br. 6. Lansa has presented evidence that NewLook 1.0 facilitated communication between a terminal and host. However, the correct language is "downloading, *from said server to said terminal*, communications software for communicating between said terminal and said host . . . ." '075 Patent, col. 5, ll. 4-6 (emphasis added). See also ResQNet V, 533 F. Supp. 2d at 413 (noting that "Lansa's expert witness, Charles Gibson . . . testified that 'communications software' refers to 'downloading the program from the server along with some of the files'" (quoting Trial Tr. 512)). Lansa failed to establish that NewLook 1.0 downloaded communications software and files *from a server* and then used them to interface with the host as described by the '075 Patent.

#### **4. Lansa Has Not Demonstrated the Insufficiency of the Sanction Imposed**

Lansa argues that the Court overlooked the fact that ResQNet never withdrew the '608 Patent when awarding Rule 11

sanctions and erred by failing to award Lansa the full amount of its attorney's fees and costs.

The Court awarded sanctions based on ResQNet's continued prosecution of the '127 and '608 Patents subsequent to ResQNet's admissions in a letter to Lansa dated September 21, 2001, that it did not appear that the Lansa system infringed those patents and that it would be improper for ResQNet to pursue the claims. See ResQNet III, 382 F. Supp. 2d at 455-56. On the Rule 11 motion, ResQNet argued that the '127 Patent claims were dropped after it was "verified" that ResQNet's belief that it was being infringed by NewLook was incorrect. Id. at 455. ResQNet "offered no explanation in response to Lansa's assertions concerning the '608 Patent and ResQNet's representations that it did not believe the '608 Patent to be infringed by Lansa's product." Id. at 456. The Court determined that, on the record before it, "it was unreasonable for ResQNet, through its attorneys, to proceed to file an amended complaint containing allegations of infringement of the '127 Patent and the '608 Patent." Id. (emphasis omitted). Lansa's motion for Rule 11 sanctions was therefore granted, but calculation of the amount of the sanction to be imposed was deferred until after the remaining claims were resolved at trial. Id. at 457.

After trial, the Court set the amount of sanctions at \$100,000, citing "ResQNet's voluntary withdrawal of the two patents at issue, the lack of prior history of sanctionable conduct, and the risk of chilling candid settlement discussions" as factors to be balanced against "the threat imposed by the amended complaint, and the costs presumably incurred during this period." ResQNet V, 533 F. Supp. 2d at 422. Lansa argues that the Court erred in this assessment, because the '608 Patent claim was never voluntarily withdrawn.

The Court's reference to the voluntary withdrawal of the '608 Patent referred to a prior paragraph, which reads in relevant part: "ResQNet informally withdrew the '127 Patent infringement claim prior to June 2002, and formally withdrew all infringement claims when it stipulated to the consent judgment on November 5, 2002." Id. ResQNet will not be sanctioned for its reassertion of the '608 Patent claim after remand from the Federal Circuit. Lansa has presented no evidence that ResQNet reasserted the '608 Patent claim after remand without a good-faith belief in the merit of its claim.

Lansa also argues that the Court should increase the amount of sanctions to the full amount of Lansa's costs and



attorney's fees. However, "'Rule 11 is not a fee-shifting mechanism and does not create an entitlement' to attorney's fees." Arbor Hill Concerned Citizens Neighborhood Ass'n v. County of Albany, 369 F.3d 91, 98 (2d Cir. 2004) (quoting Estate of Calloway v. Marvel Entm't Group, 9 F.3d 237, 241 (2d Cir. 1993)).

"[A]ny sanction or shifting of fees and costs which is made [under Rule 11], need not reflect actual expenditures." U.S. for Use and Benefit of Evergreen Pipeline Const. Co., Inc. v. Merritt Meridian Const. Corp., 95 F.3d 153, 171 (2d Cir. 1996). Rather, awards made pursuant to Rule 11 "are to be made 'restrictively.'" Id. (quoting Oliveri v. Thompson, 803 F.2d 1265, 1272 (2d Cir. 1986)). The award should reflect only "that portion of a defendant's attorney's fee thought reasonable to serve the sanctioning purpose of the Rule." Eastway Const. Corp. v. City of New York, 821 F.2d 121, 123 (2d Cir. 1987); see also Howard v. Klynveld Peat Marwick Goerdeler, 977 F. Supp. 654, 667 ("[T]he sanction should not exceed the amount required to achieve the desired result: the minimum that will reimburse the party adversely affected by the improper filing and deter the proscribed conduct.").

Here, the Court weighed sixteen factors, cited by both parties, to settle the appropriate amount of the sanction. See ResQNet V, 533 F. Supp. 2d at 421-22. Lansa's motion for reconsideration has not raised any issues ignored by that calculus.

#### **IV. THE MOTION FOR A NEW TRIAL IS DENIED**

Lansa submits that it is entitled to a new trial in light of the Declaration of Jack Murray ("Murray Decl."), submitted with Lansa's motion. Murray testifies that he was employed as a Sales Engineer at KnowledgeWare, Inc. during the period of 1993-94, and has reviewed a document referred to as "the Flashpoint reference" (which was Defendant's Exhibit 26) which "appears to be a document [Murray] used while employed at KnowledgeWare." Murray Decl. ¶2-4. Murray states that "[d]ocuments such as the Flashpoint reference were distributed with the shipment of the Flashpoint software as a matter of course during the period of my employment at KnowledgeWare." Id. ¶4.

A motion for a new trial under Fed. R. Civ. P. 59(a)(2) may be granted based on newly discovered evidence if the moving party can "demonstrate not only that the evidence existed at the time of the prior action and that it justifiably was not available to the movant . . . but also that the evidence would be

admissible and of such import as probably to have changed the result in the prior action.'" Fed. Ins. Co. v. Sheldon, 222 B.R. 690, 693 (S.D.N.Y. 1998). See also In re Cross Media Mktg. Corp., No. 06 Civ. 4228 (MBM), 2006 WL 2337177, at \*8 (S.D.N.Y. Aug. 11, 2006).

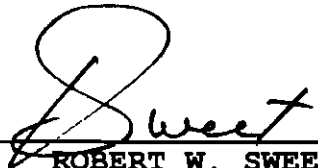
In its memorandum in support of the motion, Lansa did not so much as argue that it could not have discovered its newly submitted evidence prior to trial. However, in reply to ResQNet's Opposition, Lansa claims that it ``diligently researched the owner(s) of Flashpoint, searched for individuals knowledgeable about the Flashpoint product, and [was] unable to track down the evidence.'" Reply 4. These generalities are insufficient to establish Lansa's due diligence. See Id. Further, Lansa relies on Murray's testimony for the proposition that materials ``such as" a given document were distributed to the public, when the document referred to expressly notes that it is ``an unpublished work and is considered a trade secret belonging to the copyright holder.'" See ResQNet V, 533 F. Supp. 2d at 414 (quoting DTX 26 at ZEP 1090). Such testimony does not rise to the level of ``such import as probably to have changed the result in the prior action.'" Sheldon, 222 B.R. at 693.

**V. CONCLUSION**

Upon reconsideration the judgment is affirmed, and the motion for a new trial is denied.

It is so ordered.

New York, NY  
September 25, 2008

  
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ROBERT W. SWEET  
U.S.D.J.